

TESTIMONY OF

GENNET PURCELL

COMMISSIONER

OF THE

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

BEFORE

THE COUNCIL OF THE DISTRICT OF COLUMBIA

COMMITTEE ON PUBLIC SERVICES AND CONSUMER AFFAIRS

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**PR18-481 “COMMISSIONER OF INSURANCE, SECURITIES AND BANKING
GENNET PURCELL CONFIRMATION RESOLUTION OF 2009”**



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1350 PENNSYLVANIA AVENUE, N.W.

ROOM 412

WASHINGTON, D.C.

Good afternoon, Chairperson Bowser and members of the Committee on Public Services and Consumer Affairs. Thank you for holding this confirmation hearing on my nomination as Commissioner for the Department of Insurance, Securities and Banking (the “Department”). I want to thank the members of both the Committee and the Council for taking the time to meet with me over the last few days and for giving me an opportunity to hear your interests and your concerns.

Approximately one year ago, I was honored to be appointed to serve as Deputy Commissioner for the Department. I am honored again to have been nominated by Mayor Fenty to serve as Commissioner for DISB and pleased to appear before this Committee for confirmation. I would like to thank Mayor Adrian Fenty for the opportunity to serve the citizens of the District of Columbia in my new role. If confirmed, I look forward to the opportunity of working with you, Madame Chairperson, and the other members of the Committee in carrying out the mission of DISB.

DISB was established in 2004 by reform legislation which merged the Department of Banking and Financial Institutions and the Department of Insurance and Securities Regulation into a unified agency. DISB is responsible for regulating insurance, securities, banking and most other financial services providers that transact business in the District. The Department’s present operating bureaus are: the Insurance Bureau, Securities Bureau, Banking Bureau, Risk Finance Bureau, and Enforcement and Investigations Bureau.

The Department’s mission is two-fold: (1) to provide fair and efficient supervision of financial service activities for the protection of the residents of the District of Columbia, and (2) to create conditions that will attract and retain national and international insurance, securities, banking and other financial service businesses to the District of Columbia. Since the 2004 reorganization, the Department and its staff can point to a long list of accomplishments, including a number of very significant legislative proposals, rules

and regulations. We find ourselves in extraordinarily challenging times-- this job is made tougher by the lingering global economic crisis. In the months ahead, we will have to be even more innovative and resourceful to monitor and protect the financial interests of our consumers and to support the regulatory and reform needs of our local industries. I look forward to building a strong and enduring partnership with you and the Committee to accomplish these tasks.

I am here this afternoon to talk about three things:

- My background and how my past experiences have prepared me to take on this role;
- The progress we've made during the time I have led this office; and
- The future challenges we face regarding retaining and growing a resilient local financial services market and our strategy for meeting those challenges.

I was raised in the city of Thornhill, Ontario, Canada. I have been a District resident for the past thirteen years, having relocated here in 1996 to attend Howard University School of Law. I am a citizen of the United States, and registered voter in the District of Columbia. I currently live in the Shaw neighborhood located within Ward 1.

I received my Bachelor of Arts from York University, located in North York, Ontario, with a major in Political Science. After receiving my undergraduate degree, I attended Howard University School of Law, here in Washington, DC, to pursue a law degree. While at Howard Law, I was the recipient of a Merit Scholarship Award, served as an Articles Editor on the Howard Law Journal, and as a Research and Teaching assistant.

I have spent much of my professional career practicing law. My professional path started in a corporate law practice at the law firm of ShawPittman where I worked as a Securities, Mergers and Acquisitions associate. My work included representation of private and public companies, investment banks

and institutional investors. In addition to a comprehensive M&A corporate practice, my experience involved work with ongoing matters relating to compliance under the 1933 and 1934 Securities Act, Blue Sky Regulations, and private placement offerings.

After leaving ShawPittman's corporate law practice, I continued with the private practice of law working on behalf of small business clients, and individuals in the areas of Small Business Development including entity choice and formation, Real Estate Development, Individual Insurance Coverage, Probate, and Estate Planning. I left private practice to further my career in public civil service.

As you know, Madame Chairperson, I was appointed Deputy Commissioner for DISB under the former Commissioner, Thomas Hampton. My experience working with the former Commissioner on various regulatory matters and initiatives, as well as every aspect of my tenure as Deputy Commissioner, affords me a unique perspective and degree of institutional knowledge that will allow for a smooth transition. My tenure as Deputy instilled a foundational knowledge of the inner workings of the Department, and of its staff, the trust and respect of which I feel is key to my continued success, and to the future success of the Department.

My vision for the Department is shaped, in part, by my recent experiences as Deputy Commissioner. In short, DISB is charged with providing a fair and efficient regulatory framework to our domiciled companies, and with protecting the financial interests of our District residents. I envision an approach to fulfilling this charge that encourages fairness and competition, including a strong and independent regulatory oversight, a forceful consumer advocacy and consumer services commitment, a continuing and conspicuous presence in our communities and targeted legislative and regulatory initiatives aimed at providing options and protections to our District consumers while enhancing a financial services environment.

Although I have been the Acting Commissioner for a few weeks, I have begun to address several issues that have been of great concern to this Committee, including: 1) broadening our commitment to consumer protection and financial literacy, 2) critically examining the Department's market conduct tools against unfair insurance claims practices, and 3) working with this Committee to revamp the District of Columbia CAPCO program.

Consumer Advocacy and Financial Literacy

I am also very aware of the Council's desire to see an invigorated consumer protection program. I share this desire, and commit to substantially broadening DISB's consumer protection and advocacy initiatives. Additionally, I will be steadfast in ramping up our interactions and connections with the communities of the District. In my view, the role of a consumer protection advocate goes beyond communications. This person should be a voice in the community advocating on behalf of our consumers. It is my mission to be proactive with regard to consumer issues rather than simply reacting to the most recent complaint. I believe this will appropriately round-out the Department's approach to consumer protection – that is, Industry Regulation, Consumer Advocacy & Empowerment, and Investigation & Enforcement.

I will also broaden our commitment to financial literacy. In our sophisticated financial services market consumers have a vast array of products and services to meet their financial needs. However, these choices require that consumers have the knowledge and skills to both evaluate their options, and to identify those that best suit their circumstances. This is especially true for populations that have traditionally been underserved by our financial industries. I would like to thank this Council for passing legislation creating the District of Columbia Financial Literacy Council and for advocating for financial education to District

residents and children via our public schools. I look forward to DISB's role on the Financial Literacy Council and to working together collaboratively with other experts on the overall financial literacy effort.

Market Conduct Regulation and Enforcement

My tenure at DISB will be marked by a strong enforcement presence, where rules designed to ensure a fair and honest financial services market will be strictly enforced and potential violators, deterred. To that end, I will seek to put in place, additional protections for our consumers with regard to the improper claims practices of insurance companies doing business with our residents. I will, of course, work with the Committee to achieve the appropriate balance between effective regulation and enforcement of the District's financial services laws, and the District's need for an affordable, vibrant, competitive, and modern financial services industry.

I do, however, believe that a sound and independent regulatory system is a market strength which gives users the confidence to commit capital to the District marketplace. I hope to continue to work in coordination and cooperation with the Mayor, with this Committee and the Council, to further financial services market confidence in the District.

Revamping of CAPCO Program

As you are aware, in addition to the work of this Committee, I have been engaged in the process of amending the Certified Capital Companies Act of 2003. I have worked closely with the Committee to ensure that the CAPCO Act is strengthened to benefit our promising local businesses in need of loans and equity investments, and residents of the City. During my brief tenure as Acting Commissioner, I approved the funding of four promising local businesses, including Affinity Labs, which won the Premiere Business Plan competition sponsored by the Washington DC Economic Partnership, Enhanced Capital, Advantaged Capital and the DC Coalition for Capital. The other businesses funded during my tenure are DC Biodiesel,

BizConnect and Finance Flows. I am confident that the legislative changes and our new approach to oversight will greatly improve the CAPCO program, and will ultimately produce the kind of economic benefits that were originally contemplated when the CAPCO law was first enacted.

The current economic conditions indicate that we must examine, and where necessary, adjust past strategies to maintain a market that attracts and retains financial services because at the end of the day it will help us to:

- Empower our residents with better economic options and opportunities;
- Attract good-paying jobs for residents and meaningful opportunities for local businesses, particularly those in the financial services industries;
- Continue to support the businesses – large and small – that call the District home;
- Strengthen our financial services tax base; and
- Attract new financial services industries and strengthen our base of already existing, core businesses contributing to the overall economic development of the City.

In particular, expanding our residents' banking options will be an important area of focus for this office during the next year. Our efforts will include working with the Mayor and the Deputy Mayor and to develop strategic products aimed at increasing the number of bank account holders and mainstream bank customers in the District. In doing this, we will continue to foster the already burgeoning relationship our Department has with other state and national banks operating within our borders as our residents very much depend on the services and opportunities these banks have to offer.

In closing, I pledge my best efforts as well as my commitment and loyalty to the residents of the District of Columbia to bolster confidence in DISB. I will also continue to use my knowledge and experience in both the public and private sector in leading the Department and fulfilling its mission. DISB is fortunate to have a core of talented, dedicated, and knowledgeable staff; and in facing the challenges ahead, I also pledge to bring trusted leadership and management to the work and operations of DISB.

I believe that to be a strong, regulatory voice in the arena of insurance and financial regulation the support of this Committee will be critical. I hope that we will continue to forge a relationship of trust and confidence that will permit us to address, in partnership, the very important issues that face our markets. I commit to you that I will devote myself fully to enhancing the reputation of the agency as a strong, fair, flexible, and independent regulator.

Madame Chair, my charge is to protect the citizens of the District of Columbia and to carry out the Mayor's vision for transforming the District of Columbia into a 21st Century, globally competitive, sustainable capital city. I am honored to have the Mayor's support in this endeavor, and I hope to have the Council's support as well. I look forward to working with each of you and with the staff of the Committee during the coming years.

Thank you for the opportunity to testify before the Committee today. I am happy to answer any questions you might have at this time.
